

IRS News Release

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IRS Reminds Businesses of Retirement Plan Deadline

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WASHINGTON — The Internal Revenue Service today reminded approximately 750,000 small and mid-size businesses using “off-the-shelf” retirement plan documents that they must update their plans by Sept. 30, 2003, to maintain the tax benefits. Businesses that act after the deadline must pay a compliance fee to avoid loss of tax benefits.

The Sept. 30 deadline applies to small businesses that obtain certain IRS approved “off-the-shelf” plan documents from plan sponsors, such as banks, brokers, insurance companies, lawyers or consultants. The plans are the so-called Master & Prototype (M&P) plans and Volume Submitter plans. Even though such plans are approved and sponsors have updated them, businesses must still formally adopt the updated plans by Sept. 30. To do so, businesses should contact their plan sponsor.

Some M&P and Volume Submitter plans must also file determination letter requests in order to keep their plans in compliance with the law. In Revenue Procedure 2003-72, the IRS extended the deadline for filing a determination letter request to Jan. 31, 2004, for employers who adopt their plan amendments by the Sept. 30, 2003, deadline.

Employers who fail to amend their plans by Sept. 30, 2003, must apply for a determination letter to avoid plan disqualification, and, under the Revenue Procedure 2003-72, they will also have until Jan. 31, 2004, to apply. But they must pay a \$250 compliance fee with their application.

Paul Shultz, director of IRS’s Employee Plans Rulings & Agreements, said, “We’ve heard from the benefits community about the pressure that the fast-approaching deadline will cause on employers, especially small business owners. We’re trying to encourage employers to act now and contact their plan sponsors.”

Both businesses and their employees enjoy tax benefits from retirement plans that are in compliance with the law. Failure – even inadvertent failure – to act by the deadline could cost a retirement plan tax-favored status.

Employers or plan sponsors in need of more information should visit the Retirement Plans Web page at www.irs.gov/ep, or they can call customer account services toll-free at 1-877-829-5500.